

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name EAST TAWAS CITY PARK	County IOSCO
Audit Date 09/30/2005	Opinion Date 12/02/2005	Date Accountant Report Submitted to State: 01/23/2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

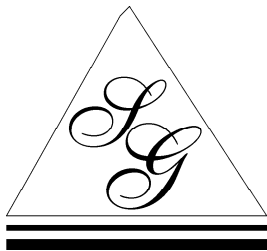
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) STEPHENSON, GRACIK & CO., P.C.			
Street Address 325 NEWMAN STREET, PO BOX 592	City EAST TAWAS	State MI	ZIP 48730
Accountant Signature  Donald W. Brennan CPA <small>Digitally signed by Stephenson, Gracik and Co., P.C. DN: cn=Stephenson, Gracik and Co., P.C., c=US Date: 2005.02.14 14:30:02 -0500</small>			



Stephenson Gracik & Co., P.C.

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EAST TAWAS CITY PARK
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT
YEARS ENDED SEPTEMBER 30, 2005 and 2004

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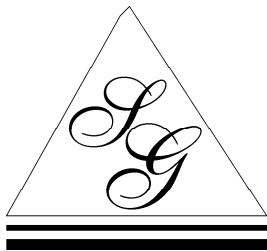
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December 2, 2005

Independent Auditors' Report

Board of Directors
East Tawas City Park
Iosco County, Michigan

We have audited the accompanying financial statements of the business-type activities of the East Tawas City Park, Iosco County, Michigan, as of and for the years ended September 30, 2005 and 2004, which collectively comprise the East Tawas City Park's basic financial statements, as listed in the index. These financial statements are the responsibility of the City Park's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities of the East Tawas City Park, Iosco County, Michigan, as of September 30, 2005 and 2004, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005, on our consideration of the East Tawas City Park's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audits.

The management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Stephenson, Gracik & Co., P.C.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the **East Tawas City Park**, (the City Park) we offer readers of the City Park's financial statements this narrative overview and analysis of the financial activities of the City Park for the fiscal year ended September 30, 2005.

Financial Highlights

- The City Park's assets exceeded its liabilities by \$2,786,324 (*net assets*) for the fiscal year reported. Of this amount, \$385,052 (*unrestricted net, assets*) represents the portion available for spending.
- The City Park's total net assets decreased by \$223,299 or 7.4% over the course of the year's operations.
- The City Park's operating expenses in fiscal year 2004-2005 were \$19,087 higher than those in fiscal year 2003-2004. This increase was due in part to increases in employee wages, operating supplies and repairs and maintenance.
- Operating revenues for the City Park in fiscal year 2004-2005 were \$12,287 lower than those in fiscal year 2003-2004. This decrease was due to a decrease in total camper days for the fiscal year. The decrease in overall camper days in 2004-2005 was primarily economy driven. Camping in the East Tawas City Park campground drastically dropped off in mid-August when gas prices reached \$3.00 per gallon. On top of that, the unknown future of the auto industry also led to a drop-off in campers in the park. In fiscal year 2004-2005, twenty three of the parks "year-round" campers left the park. Most of these campers were employed in some way in the auto industry. These twenty-three campers represented \$89,146 in camping revenues lost.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of the City Park. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the City Park report information of the City Park using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all of the City Park's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the City Park and assessing the liquidity and financial flexibility of the City Park.

All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses and Changes in Net Assets. This statement measures the success of the City Park's operations over the past year and can be used to determine whether the City Park has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to Financial Statements

The accompanying notes to financial statements provide information essential to a full understanding of the financial statements. The notes to financial statements are presented in Exhibit D of this report.

Analysis of Financial Position:

One of the most important questions asked about the City Park's finances is "Is the City Park as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets, and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the City Park's activities in a way that will help answer this question. These two statements report the net assets of the City Park and the changes in them. One can think of the City Park's net assets the difference between assets and liabilities as one way to measure financial health or financial position. Over time, increases or decreases in the City Park's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions and new or changed government legislation.

Summary of Net Assets:

The following summarizes the net assets of the East Tawas City Park at September 30, 2005 and 2004:

	<u>Net Assets Summary</u>	
	<u>September 30, 2005</u>	<u>September 30, 2004</u>
Current Assets	\$ 485,212	\$ 448,536
Capital Assets – net	2,401,272	2,592,887
Total Assets	<u>2,886,484</u>	<u>3,041,423</u>
Current Liabilities	91,889	24,328
Long-Term Liabilities	8,271	7,472
Total Liabilities	<u>100,160</u>	<u>31,800</u>

Net Assets Summary

	<u>September 30, 2005</u>	<u>September 30, 2004</u>
Net Assets		
Investment in Capital Assets	\$ 2,401,272	\$ 2,592,887
Unrestricted	<u>385,052</u>	<u>416,736</u>
Total Net Assets	<u>\$ 2,786,324</u>	<u>\$ 3,009,623</u>

Capital Assets

The City Park's investment in capital assets as of September 30, 2005, amounted to \$2,401,272 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, signs and construction in progress. Capital assets for the City Park increased by \$18,644. Total depreciation expense for this year amounts to \$210,259 with ending accumulated depreciation being \$2,701,184.

Capital Assets Summary (Net of depreciation)

	<u>September 30, 2005</u>	<u>September 30, 2004</u>
Land	\$ 234,065	\$ 234,065
Land improvements	1,668,630	1,819,609
Buildings and improvements	480,253	508,851
Machinery and equipment	11,954	25,821
Signs	4,146	4,541
Construction in progress	<u>2,224</u>	<u>0</u>
Capital Assets - net	<u>\$ 2,401,272</u>	<u>\$ 2,592,887</u>

Additional information on capital assets can be found in Note 3 of the audit, notes to financial statements.

Summary of Revenues and Expenses:

	<u>September 30, 2005</u>	<u>September 30, 2004</u>
Operating revenue	\$ 604,566	\$ 616,853
Non operating revenue	<u>6,027</u>	<u>2,034</u>
Total revenue	<u>610,593</u>	<u>618,887</u>
Depreciation expense	210,259	212,328
Other operating expense	388,480	367,324
Nonoperating expense	<u>0</u>	<u>6,937</u>
Total expenses	<u>598,739</u>	<u>586,589</u>
Income before operating transfers	11,854	32,298
Operating transfers out	<u>(235,153)</u>	<u>(182,575)</u>
Change in Net Assets	<u>\$ (223,299)</u>	<u>\$ (150,277)</u>

Economic Factors and Next Year's Budget and Rates

The East Tawas City Park took many factors into consideration in setting the fiscal year 2005-2006 budget. As always, the overriding factor in the budgeting process was to keep expenses at or below the amount of revenue generated. The majority of the revenues generated by the City Park are derived from camping rates paid by customers of the 174 site East Tawas City Park Campground. Over the past five years, the camping fee revenues have continued to increase annually from \$500,942 in fiscal year 1999-2000 to \$558,652 in fiscal year 2004-2005. The major reason for the increase in these revenues is a result of annual rate increases for nightly stays in the campground and the addition of four new campsites that opened in the park during the summer of 2004.

The most significant monetary expense for the East Tawas City Park continues to be employee related costs. Following these costs are the fixed costs such as utilities, repair and maintenance and insurance and bonds. Depreciation continues to be the park's largest non-monetary expense.

The state of the economy will again be the major deciding factor in the success or failure of the East Tawas City Park campground in fiscal year 2005-2006. At this point, it is the hope of the park management that they will rebound from the drop experienced at the end of 2004-2005. Toward that goal, the East Tawas City Park will not be raising their camping fees for 2005-2006. With the State Park system announcing significant rate increases for this coming season, it is hoped that the offer of full hook-ups at lower rates will attract many State Park customers to the East Tawas City Park in 2005-2006.

Requests for Information

This financial report is designed to provide a general overview of the East Tawas City Park finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Park Manager, 407 W. Bay Street, East Tawas, Michigan 48730.

EAST TAWAS CITY PARK
Iosco County, Michigan

STATEMENTS OF NET ASSETS
September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 475,212	\$ 438,536
Investments (Note 2)	<u>10,000</u>	<u>10,000</u>
Total current assets	485,212	448,536
Noncurrent assets:		
Capital assets, net (Note 3)	<u>2,401,272</u>	<u>2,592,887</u>
Total Assets	<u>2,886,484</u>	<u>3,041,423</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	7,008	7,616
Accrued liabilities	5,934	5,146
Due to other funds	<u>78,947</u>	<u>11,566</u>
Total current liabilities	91,889	24,328
Long-term liabilities:		
Compensated absences payable (Note 4)	<u>8,271</u>	<u>7,472</u>
Total Liabilities	<u>100,160</u>	<u>31,800</u>
<u>Net Assets</u>		
Investment in capital assets	2,401,272	2,592,887
Unrestricted	<u>385,052</u>	<u>416,736</u>
Total Net Assets	<u>\$ 2,786,324</u>	<u>\$ 3,009,623</u>

The accompanying notes to financial statements are an integral part of this statement.

EAST TAWAS CITY PARK
Iosco County, Michigan

STATEMENTS OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS
For the Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Operating Revenue</u>		
Camping fees	\$ 558,652	\$ 574,827
Storage fees	32,268	33,326
Building rental	4,905	4,988
Commissions	861	658
Miscellaneous	7,880	3,054
Total operating revenue	<u>604,566</u>	<u>616,853</u>
<u>Operating Expenses</u>		
Salaries, wages and social security	178,593	168,379
Payroll taxes and benefits	23,652	30,299
Pension	8,633	7,436
Advertising	1,048	1,031
Office supplies	1,294	904
Operating supplies	23,033	9,638
Legal and accounting	2,245	2,160
Laundry	2,608	2,477
Miscellaneous	3,587	3,670
Insurance and bonds	26,085	28,816
Utilities	76,686	75,790
Repair and maintenance	34,764	30,770
Rubbish collection	3,940	3,874
Rent	2,312	2,080
Depreciation	210,259	212,328
Total operating expenses	<u>598,739</u>	<u>579,652</u>
Operating income	<u>5,827</u>	<u>37,201</u>
<u>Non-operating Revenue (Expenses)</u>		
Interest earned	6,027	2,034
Loss on disposal of fixed assets	0	(6,937)
Total non-operating revenue (expenses)	<u>6,027</u>	<u>(4,903)</u>
Income before operating transfers	11,854	32,298
<u>Other Financing Uses</u>		
Operating transfers out	<u>(235,153)</u>	<u>(182,575)</u>
Change in net assets	(223,299)	(150,277)
Net assets - beginning of year	<u>3,009,623</u>	<u>3,159,900</u>
Net assets - end of year	<u>\$ 2,786,324</u>	<u>\$ 3,009,623</u>

The accompanying notes to financial statements are an integral part of this statement.

EAST TAWAS CITY PARK
Iosco County, Michigan

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 604,566	\$ 616,853
Cash paid to suppliers and employees	(387,501)	(365,058)
Interest received	<u>0</u>	<u>3</u>
Net cash provided by operating activities (Note 8)	<u>217,065</u>	<u>251,798</u>
<u>Cash Flows From Noncapital Financing Activities</u>		
Cash paid to other funds	<u>(167,772)</u>	<u>(181,195)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Acquisition and construction of capital assets	<u>(18,644)</u>	<u>(49,898)</u>
<u>Cash Flows From Investing Activities</u>		
Interest on investments	<u>6,027</u>	<u>2,031</u>
Net increase in cash and cash equivalents	36,676	22,736
Cash and cash equivalents - beginning of year (Note 1)	<u>438,536</u>	<u>415,800</u>
Cash and cash equivalents - end of year (Note 1)	<u>\$ 475,212</u>	<u>\$ 438,536</u>

Non-Cash Capital and Related Financing Activities

During fiscal year 2003/2004, capital assets with a basis of \$6,937 were disposed of.

The accompanying notes to financial statements are an integral part of this statement.

EAST TAWAS CITY PARK
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the East Tawas City Park conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The following is a summary of the significant accounting policies.

A. Description of Fund Type

The East Tawas City Park operates as an enterprise fund and is shown as a blended component unit in the City of East Tawas financial statements. The basic financial statements of the East Tawas City Park are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The City Park applies all relevant Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, that apply to all proprietary fund type activities, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. All activities over which the East Tawas City Park exercises oversight responsibility have been included in the reporting entity.

Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Fund Accounting

The City Park uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The City Park's Enterprise Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

C. Basis of Presentation

The City Park's basic financial statements consist of fund financial statements which provide a detailed level of financial information.

Fund Financial Statements

During the year, the City Park segregates transactions related to certain City Park functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City Park at a detailed level.

EAST TAWAS CITY PARK
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The term measurement focus is used to denote what is being measured and reported in the City Park's operating statement. The City Park is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the City Park is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the City Park's operating statement. The City Park uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

E. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the City Park are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

G. Capital Assets

Capital assets are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful life of the assets.

Expenditures for maintenance, repairs and renewals are charged to operations as incurred and betterments are capitalized. The City Park eliminates the cost and related allowances from the accounts for assets sold or retired and resulting gains or losses therefrom are included in operations concurrently. Donated fixed assets are recorded at their fair market values as of the date received.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City Park or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City Park's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

EAST TAWAS CITY PARK
Iosco County, MichiganNOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2005 and 2004NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the City Park, these revenues are charges for services for camping and storage fees. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

NOTE 2 - DEPOSITS AND INVESTMENTS

At year-end, the City Park's deposits and investments were reported in the basic financial statements in the following categories:

	<u>9/30/05</u>	<u>9/30/04</u>
Cash and Cash Equivalents	\$ 475,212	\$ 438,536
Investments	<u>10,000</u>	<u>10,000</u>
	<u>\$ 485,212</u>	<u>\$ 448,536</u>

The breakdown between deposits and investments is as follows:

	<u>9/30/05</u>	<u>9/30/04</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 11,503	\$ 11,561
Investment in financial institution pooled funds	473,609	436,875
Petty Cash	<u>100</u>	<u>100</u>
Total	<u>\$ 485,212</u>	<u>\$ 448,536</u>

As of September 30, 2005, the City Park had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Investment pools	<u>\$ 473,609</u>	Daily

EAST TAWAS CITY PARK
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2005 and 2004

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local governmental unit in Michigan. The City Park's investment pool is unrated.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City Park's deposits may not be returned to it. As of September 30, 2005 and 2004, \$0 of the City Park's bank balance of \$11,531 and \$11,561 respectively, were exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City Park will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City Park will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities approved in the City Park's investment policy which is in accordance with State law.

Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk

The City Park's investment policy does not address concentration of credit risk, interest rate risk or foreign currency risk.

Investments:

The City Park has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the City Park to deposit and invest in the following:

- * Accounts of federally insured banks, credit unions and savings and loan associations
- * Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- * United States government or federal agency obligation repurchase agreements
- * Banker's acceptances of United States banks
- * Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- * Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The City Park's deposits and investments are in accordance with statutory authority.

EAST TAWAS CITY PARK
Iosco County, MichiganNOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2005 and 2004NOTE 3 - CAPITAL ASSETS

A summary of changes in capital asset activity follows:

	Balance 10/01/04	Additions	Deletions	Balance 09/30/05
Land	\$ 234,065	\$ 0	\$ 0	\$ 234,065
Land improvements	3,754,791	16,420	0	3,771,211
Buildings and improvements	822,102	0	0	822,102
Machinery and equipment	260,934	0	0	260,934
Signs	11,920	0	0	11,920
Construction in progress	<u>0</u>	<u>2,224</u>	<u>0</u>	<u>2,224</u>
	5,083,812	18,644	0	5,102,456
Less accumulated depreciation	<u>(2,490,925)</u>	<u>(210,259)</u>	<u>0</u>	<u>(2,701,184)</u>
Net property, plant and equipment	<u>\$ 2,592,887</u>	<u>\$ (191,615)</u>	<u>\$ 0</u>	<u>\$ 2,401,272</u>

The City Park's fixed assets are stated at cost. Depreciation is calculated using the straight line basis at rates ranging from 2% to 34% per year. The estimated useful lives are as follows:

Building and improvements	10 - 40 years
Machinery, equipment and signs	3 - 20 years

NOTE 4 - COMPENSATED ABSENCES

The City Park has an employee benefit plan that allows employees to accumulate sick pay days up to a maximum of 45 days. The City Park also has a vacation pay policy which allows employees with at least 10 vacation days to carryover up to a maximum of five days. Compensated absences are recorded using the vesting method in accordance with Governmental Standards Board Statement #16. The amount of accumulated sick and vacation pay liability for the City Park was \$8,271 and \$7,472 for 2005 and 2004, respectively.

NOTE 5 - RETIREMENT PLAN

The East Tawas City Park participates in an employee retirement plan along with the City of East Tawas. Under the plan, the City makes all required contributions, and the East Tawas City Park reimburses the City for contributions paid for its employees. Total pension expense for the East Tawas City Park was \$8,633 and \$7,436 for 2005 and 2004, respectively. Additional information can be obtained in the City of East Tawas audited financial statements for the year ended September 30, 2005.

NOTE 6 - RISK MANAGEMENT

The East Tawas City Park is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The East Tawas City Park continues to carry commercial insurance for risks of loss, including employee health insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

EAST TAWAS CITY PARK
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2005 and 2004

NOTE 7 - RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

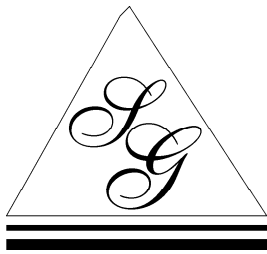
	<u>2005</u>	<u>2004</u>
Operating income	\$ 5,827	\$ 37,201
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	210,259	212,328
Interest income on cash accounts	0	3
Changes in assets and liabilities:		
Increase (decrease) in accounts payable for operations	(608)	897
Increase in accrued wages	788	678
Increase in compensated absences payable	<u>799</u>	<u>691</u>
Net cash provided by operating activities	<u>\$ 217,065</u>	<u>\$ 251,798</u>

OTHER INFORMATION

EAST TAWAS CITY PARK
Losco County, Michigan

STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
For the Year Ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
<u>Operating Revenue</u>			
Camping fees	\$ 551,520	\$ 558,652	\$ 7,132
Storage fees	29,800	32,268	2,468
Building rental	4,720	4,905	185
Commissions	850	861	11
Miscellaneous	5,500	7,880	2,380
Total operating revenue	<u>592,390</u>	<u>604,566</u>	<u>12,176</u>
<u>Operating Expenses</u>			
Salaries, wages and social security	178,400	178,593	(193)
Payroll taxes and benefits	23,775	23,652	123
Pension	8,500	8,633	(133)
Advertising	1,100	1,048	52
Office supplies	1,600	1,294	306
Operating supplies	31,500	23,033	8,467
Legal and accounting	2,250	2,245	5
Laundry	2,610	2,608	2
Miscellaneous	3,740	3,587	153
Insurance and bonds	26,200	26,085	115
Utilities	80,700	76,686	4,014
Repair and maintenance	35,800	34,764	1,036
Rubbish collection	4,300	3,940	360
Rent	2,675	2,312	363
Depreciation	215,000	210,259	4,741
Total operating expenses	<u>618,150</u>	<u>598,739</u>	<u>19,411</u>
Operating income (loss)	(25,760)	5,827	31,587
<u>Non-operating Revenue (Expenses)</u>			
Interest earned	<u>5,500</u>	<u>6,027</u>	<u>527</u>
Income (loss) before operating transfers	(20,260)	11,854	32,114
<u>Other Financing Uses</u>			
Operating transfers out	<u>(235,153)</u>	<u>(235,153)</u>	<u>0</u>
Change in net assets	(255,413)	(223,299)	32,114
Net assets - beginning of year	<u>3,009,623</u>	<u>3,009,623</u>	<u>0</u>
Net assets - end of year	<u>\$ 2,754,210</u>	<u>\$ 2,786,324</u>	<u>\$ 32,114</u>



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

Alan J Stephenson, CPA
Gerald D Gracik Jr., CPA
James J Gracik, CPA
E. Thad Gray, CPA
Donald W. Brannan, CPA
Kyle E Troyer, CPA

Herman A Bertuleit, CPA

December 2, 2005

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
East Tawas City Park
Iosco County, Michigan

We have audited the financial statements of the business -type activities of the East Tawas City Park, as of and for the year ended September 30, 2005, which collectively comprise the East Tawas City Park's basic financial statements and have issued our report thereon dated December 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

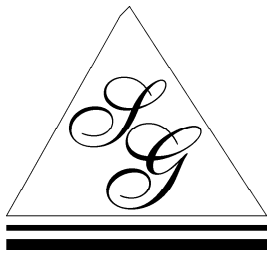
In planning and performing our audit, we considered the East Tawas City Park's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Tawas City Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Park Board, City Council and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Gracik & Co., P.C.



Stephenson Gracik & Co., P.C.

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December 2, 2005

Board of Directors
East Tawas City Park
Iosco County, Michigan

Dear Board of Directors:

We have audited the financial statements of the East Tawas City Park for the year ended September 30, 2005, and have issued our reports thereon dated December 2, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated January 12, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the East Tawas City Park's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the East Tawas City Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the East Tawas City Park are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the East Tawas City Park during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the East Tawas City Park's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the East Tawas City Park, either individually or in the aggregate, indicate matters that could have a significant effect on the East Tawas City Park's financial reporting process.

Board of Directors
East Tawas City Park
December 2, 2005
Page Two

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the East Tawas City Park's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of the City Park.

This information is intended solely for the use of management, the Park Board, City Council and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Grault & Co., P.C.